

## Message Text

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21

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

XMB-02 FRB-03 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 PA-01 PRS-01 USIA-06 FEA-01 INT-05 OES-03

SAB-01 SAM-01 /103 W

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R 120600Z JUN 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1946

INFO AMEMBASSY ABU DHABI

AMEMBASSY ANKARA

AMEMBASSY DOHA

AMEMBASSY ISLAMABAD

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY BEIRUT

C O N F I D E N T I A L TEHRAN 5491

E.O. 11652: GDS

TAGS: ECON, IR

SUBJ: ECONOMIC SLOWDOWN IN IRAN?

1. THE GOI SEEMS OFFICIALLY TO HAVE ACCEPTED THE GROWING EVIDENCE THAT ATTAINING ALL OR EVEN MOST OF ITS AMBITIOUS ECONOMIC DEVELOPMENT GOALS DURING THE REMAINING THREE YEARS OF THE FIFTH DEVELOPMENT PLAN PROBABLY IS NOT POSSIBLE. THE EMBASSY IN RECENT DAYS HAS BEEN HEARING REPORTS THAT AT JUNE 4-5 SESSIONS OF THE HIGH ECONOMIC COUNCIL CHAIRED BY PRIME MINISTER HOVEYD THE SHORTFALL IN DEVELOPMENT PROGRAMS WAS DISCUSSED AT LENGTH. THE SHAH IN AN ADDRESS ON JUNE 7 (TEXT TRANSMITTED BY USINFO) SUGGESTED THAT AS AN ANTI-INFLATIONARY MEASURE, DEVELOPMENT PROGRAMS WHICH HAD BEEN PLANNED FOR THE NEXT THREE YEARS SHOULD BE STRETCHED OUT TO AS MUCH  
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AS FOUR AND ONE-HALF YEARS.

2. IN JUNE 11 EDITORIAL APPEARING IN THE SEMI-OFFICIAL "KAYHAN INTERNATIONAL", THE STRAIN WHICH THE RAPID RATE OF DEVELOPMENT IS PLACING ON SCARCE PERSONNEL RESOURCES, INFRASTRUCTURE, AND THE AVAILABILITY OF SCARCE MATERIALS IS DISCUSSED AT LENGTH. THE EDITORIAL STATES THAT AT LAST WEEK'S MEETING OF THE HIGH ECONOMIC COUNCIL J AGREEMENT WAS REACHED ON IMPOSING A TIGHTER REIN ON SPENDING, ALLOCATING RESOURCES MORE CAREFULLY, AND ESTABLISHING A CLEARER ORDER OF PRIORITIES. PLAN AND BUDGET ORGANIZATION UNDER SECRETARY FOR PLANNING A. C. MAJLOOMIAN TOLD AN EMBASSY OFFICER THAT A TEMPORARY FREEZE HAS BEEN PLACED ON SIGNING CONTRACTS FOR NEW PUBLIC SECTOR PROJECTS. (TEXT OF EDITORIAL AND ADDITIONAL COMMENTS ON EFFECTS ON PENDING MAJOR PROJECTS BEING TRANSMITTED BY AIRGRAM).

3. TEHRAN RECENTLY HAS BEEN AWASH WITH RUMORS THAT THE GOI IS BEING FORCED TO CUTBACK ITS AMBITIOUS DEVELOPMENT PLANS BECAUSE ITS FOREIGN EXCHANGE SURPLUS WILL SOON RUN OUT FORCING IT BACK ON WORLD CAPITAL MARKETS SOMETIME NEXT YEAR. REVERTING BACK TO A NET CAPITAL IMPORT POSITION SO SOON SEEMS UNLIKELY. WHILE IRAN'S FINANCIAL POSITION OBVIOUSLY DEPENDS ON OIL PRICE AND PRODUCTION DEVELOPMENTS, AS REPORTED IN THE EMBASSY'S MOST RECENT BALANCE OF PAYMENTS AND GOLD AND FOREIGN EXCHANGE QUARTERLY REPORT (TEHRAN A-127), IRAN IS A LONG WAY FROM BEING SHORT OF FOREIGN EXCHANGE. IRANIAN YEAR 1977-78 SEEMS THE EARLIEST TIME AT WHICH BORROWING ABROAD MAY BE NECESSARY, AND THE SURPLUS COULD LAST WELL INTO THE SIXTH DEVELOPMENT PLAN PERIOD (STARTING MARCH 21, 1978).

4. THE GOI ITSELF MAY WELL BE ENCOURAGING THE RUMORS THAT IT SOON WILL HAVE TO START BORROWING AGAIN. THIS TACTIC WOULD SERVE TWO PURPOSES. INTERNALLY IT WOULD DISCOURAGE THE "BLANK CHECK" PHILOSOPHY WHICH HAS BECOME TOO WIDESPREAD IN THE BUREAUCRACY. EXTERNALLY, IT IS EXCELLENT PROPAGANDA TO MAKE IT APPEAR THAT A SUBSTANTIAL HIKE IN THE PRICE OF OIL IS NECESSARY FOR IRAN TO ACCOMPLISH ITS ECONOMIC GOALS. MUCH MORE TROUBLESOME FOR THE TIME BEING THAN AN EVENTUAL FOREIGN EXCHANGE SHORTFALL IS THE DIRE SHORTAGE OF TRAINED PERSONNEL NEEDED TO IMPLEMENT IRAN'S DEVELOPMENT PLANS. MINISTER OF ECONOMIC AFFAIRS AND FINANCE UNDER SECRETARY DR. AHMAD KOOROS RECENTLY TOLD EMBOFF THAT SO FAR NO DEVELOPMENT PROGRAMS HAD BEEN CURTAILED BECAUSE OF A SHORTAGE OF FUNDS AND THAT NO SUCH

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ACTIONS ARE CONTEMPLATED IN THE NEAR FUTURE.

5. UNDOUBTEDLY A REASSESSMENT OF THE COUNTRY'S DEVELOPMENT GOALS AND PRIORITIES IN THE LIGHT OF PERSONNEL AND MATERIAL SHORTAGES AND INFRASTRUCTURE BOTTLENECKS IS GOING ON. MOST MAJOR PROJECTS ARE BEHIND SCHEDULE. WITH THE OFFICIAL VERSION OF THE REVISED FIFTH DEVELOPMENT PLAN STILL NOT PUBLISHED, IT SEEMS UNLIKELY THAT ANYTHING WILL BE WRITTEN OUTLINING A THIRD SET OF FIFTH PLAN

GOALS. MORE LIKELY, THE USUAL IRANIAN AD HOCISM WILL CONTINUE.  
AT THE SAME TIME, THE GOI APPARENTLY IS ACCEPTING THE INEVITABLE  
AND AT LEAST TACITLY ACKNOWLEDGING THAT IT CANNOT ACCOMPLISH  
EVERYTHING IN THE SHORT TIME IT HAD ALLOTTED ITSELF.  
MIKLOS

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## Message Attributes

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